

# Emerging Indian Mobile Markets at the Bottom of the Pyramid.

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## **ABSTRACT**

India is the fourth largest telecom market in Asia after China, Japan and South Korea. The Indian telecom network is the eighth largest in the world and the second largest among emerging economies. At current levels, telecom intensiveness of Indian economy measured as the ratio of telecom revenues to GDP is 2.1 percent as compared with over 2.8 percent in developed economies (CRISIL, [www.ibef.com](http://www.ibef.com)). Indian telecom sector has undergone a major process of transformation through significant policy reforms. The reforms began in 1980s with telecom equipment manufacturing being opened for private sector and were later followed by National Telecom Policy (NTP) in 1994 and NTP'1999.

The mobile Association of India (COAI). The COAI's earlier estimates had shown that mobile user base will reach 743 million by 2012. The major reason stated for the increase is the huge adoption of the mobile services in the rural areas, reported The Business Line. India is now the second largest mobile market in the world after China, which has over 650 million subscribers, with India having 400 million mobile users. According to COAI's projection, there will be 1.24 billion mobile users in 2015 – which means one phone for every Indian.

This paper focuses on the use of mobile for bottom of pyramid customers. For this a sample of 200 consumers were taken who belonged to this category. The survey was conducted to find out why people do purchase or do not purchase mobile in this segment and if purchase what are the attributes that lead to purchase a particular mobile phone. The result showed that the customers prefer cheap mobile phones and the customers who haven't purchased it is because they cannot afford it. They are not much influenced by branding and advertising.

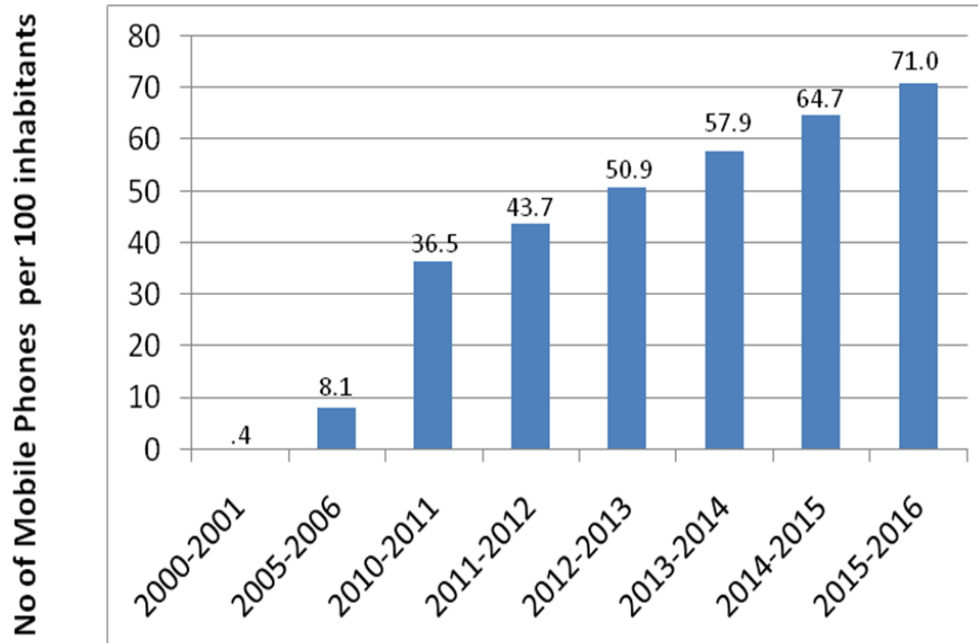
## **INTRODUCTION**

The telecom industry is one of the fastest growing industries in India. India has nearly 200 million telephone lines making it the third largest network in the world after China and USA. With a growth rate of 45%, Indian telecom industry has the highest growth rate in the world. Much of the growth in Asia Pacific Wireless Telecommunication Market is spurred by the growth in demand in countries like India and China.

-India's mobile phone subscriber base is growing at a rate of 82.2%. China is the biggest market in Asia Pacific with a subscriber base of 48% of the total Subscribers in Asia Pacific. Compared to that India's share in Asia Pacific Mobile Phone market is 6.4%. Considering the fact that India and China have almost comparable populations, Therefore India's low mobile penetration offers huge scope for growth.

### **Rate of growth of mobile –density**

The analysis reveals that the inflection points (the maximum growth rate point) of the curve will occur between 2011-2012 and 2012-2013 (when mobile – density will be around 45). During the year 2015-2016, there will be 71 mobile phones for 100 people in the country. Analysis show that no. of the mobile phones will exceed the no. of the people in the country by 2022-23.



GRAPH- 1

Recently, mobile phone connections in India have crossed the 100-million mark, which means over nine in 100 Indians have a phone. Adding on to this benevolent and happy information, telecom companies are anticipating the number will nearly treble in the next two years. The cellular networks are expected to cover 3,50,000 (out of 6,07,000) villages, covering 450 million people.

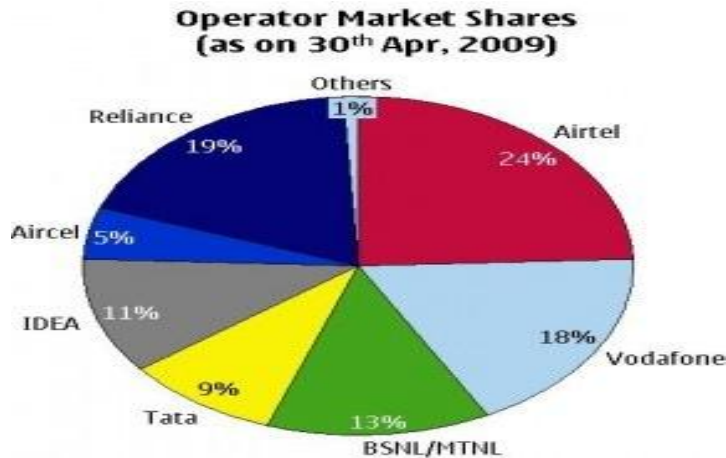


Figure – 2

Market Share of both mobile and wire line Service Providers in India

#### TELECOM IN RURAL INDIA

India has an urban population of about 26.8% and rural population is about 73.2%. And there are over 607,000 villages in India. But a vast section of the rural sector is still cut off from the benefits of telecom services. The rural population of around 700 million is waiting for its share of economic growth. Initially the big telephone companies focused only on urban centers, which they felt were more profitable. However, this mindset is gradually changing with the realization that there is equal, if not bigger money in rural area

#### **FUTURE OF MOBILE COMMUNICATION IN INDIA**

India initially started with GSM technology for mobile communication. Being a technology neutral country, India later allowed for CDMA technology also. Now 2.75G EDGE technologies has been implemented and used. BSNL has already started 3G into operation. Trials have been conducted for 3G implementation in the four metropolitan

cities of India successfully. Now Commercial 3G has also been started .With the dwindling revenues of the operators from the data and voice there is a need to look at newer applications to fuel growth of the telcos.TV on Mobile has emerged as a solid and potent answer to this consumer yearning. South Korea, China, South Africa, Australia and Europe have seen this need and have acted upon the same by implementing TV on Mobile. India is around the corner for implementation of similar technology for the benefit of consumers, operators, content providers and Government. It promises to be a USD 1 billion industry by 2010, if roadmaps are created and implemented properly.

Unlike in the 1990s when the mobile phone was an elitist product, mobile operators now tap a mass market with mass marketing techniques. "Unified licensing" rules allow basic and mobile operators into each other's territory, and have ushered in perhaps the final phase of industry consolidation. It seems that only companies with deep pockets can effectively compete as primary operators mobile markets. Economies of scale, scope, and end-to-end presence in long-distance as well as local telecom, are desirable. There are, besides, new challenges. Operators have to find new growth drivers for the wire line business. There are problems of getting broadband to take off, of technology choice, of when to introduce new technologies, and of developing a viable business model in an era of convergence. In such a world of proliferating media channels and head-spinning consumer choice, monitoring the health of a brand and the effectiveness of marketing spend is more complex and essential than ever before.

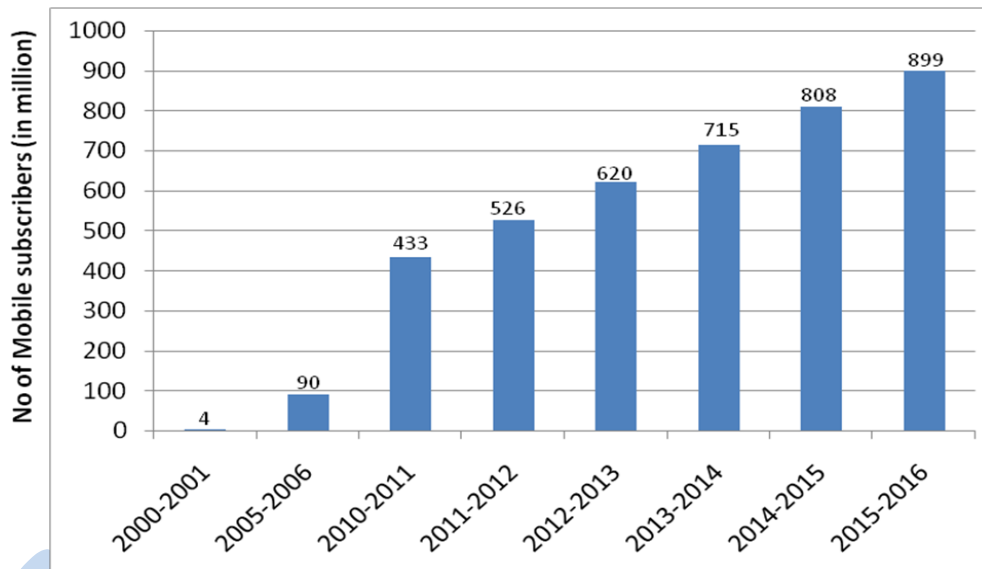
The next wave of growth has to be in rural markets, and forecasts the total number of mobile connections by 2014 to be about 993 million. A key trend in 2009 was the shift in

the focus of service providers and handset manufacturers toward the countryside, which continues to offer significant and untapped market opportunity, India's rural areas accounted for 191 million mobile subscribers at the end of March in comparison to 393 million subscribers in urban areas, according to TRAI. There were 112 mobile connections for every 100 people in urban areas in contrast to 23 connections per 100 people in rural areas. Rural markets however present large challenges for mobile operators, because the average revenue per user (ARPU) is likely to be lower in these markets, as the ability to spend in rural markets is lower than in urban market.

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## **Future Mobile Subscriber Base in India**

It is projected that almost 350 million new mobile subscribers will be added between 2005-06 and 2010-11 and more than 450 million will be added between 2010-11 and 2015-16



GRAPH-2

**Note :- Future population of India is taken from the United Nations Population Division publication.**

### **OBJECTIVES OF THE STUDY**

The objective of the study is to analyze the market of Mobile phones at the bottom of the pyramid in India. It aims to explore a new market segment for the mobile phone companies. It's a substantial segment which these companies can target by using totally different marketing mix.

It will make the mobile phone companies aware that there is a big segment in market which is still untouched by them. It will further make the mobile phone companies to realize that they cannot afford to ignore this segment in this competitive scenario.

It aims to find out why these consumers do purchase or do not purchase the mobile phones. Furthermore the research will find out their buying pattern and the reasons or attributes for which they purchase the particular mobile.

There is a very big segment "Bottom of pyramid" which is still untouched by the companies. People in this segment cannot afford the high mobile phone prices. They have a different buying behavior. Companies can mint money by targeting this segment. So we need to study the buying behavior of this segment because companies can't afford to ignore "Bottom of the Pyramid" (BOP). The **bottom of the pyramid** is the largest, but poorest socio-economic group. In global terms, this is the 2.5 billion people who live on less than \$2.50 per day. University of Michigan Business School professor C.K. Prahalad challenges business's common beliefs about the world's impoverished and introduces readers to the Bottom of the Pyramid (BOP), an untapped market of more than four billion people, many of whom are seen as "poor" in the public eye. This is the market companies should be paying attention to, he says, even more so than the few rarified consumers at the high-profit pinnacle, or even the growing middle markets.



## **Research Methodology**

We had selected people from the bottom of the pyramid at random basis. The sample size was confined to 200 people from the National Capital Region, comprising the state of Delhi , UP, (Noida, Ghaziabad) and Haryana ( Gurgaon & Faridabad). The bottom of the pyramid comprises of small hawkers, thelawalas, masons , panshops, house maids, guards, vehicle drivers and small farmers. Thus it can be assumed that a fair representation of the target consumer has been taken into account.

**Primary Data** – The main thrust of findings is based on primary data through structured questionnaires followed by personal interviews.

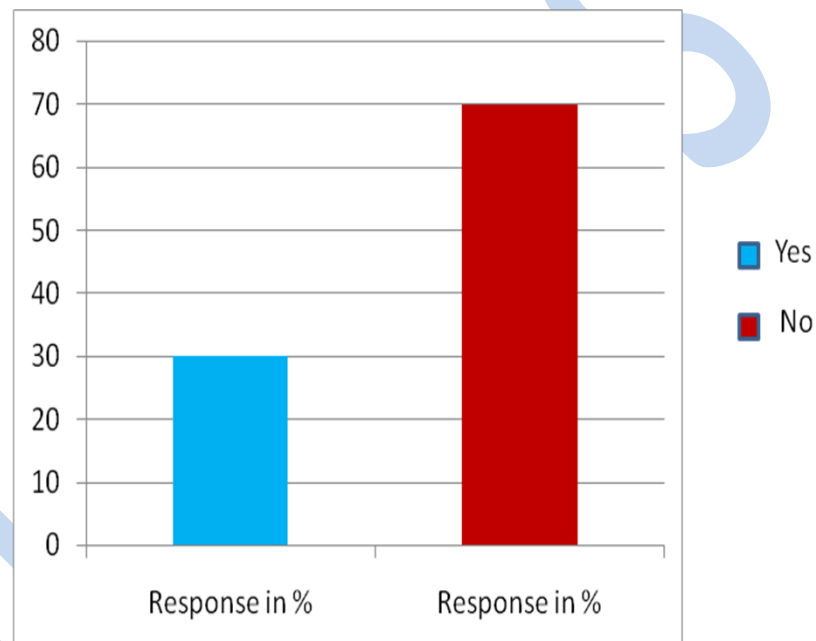
**Secondary Data-** Various source have been taken into consideration and authentication such as International Journals, Research papers, Government of India TRAI. Centre for Telecom Research (CTR), Diffusion Group Survey and Case Studies.The data has been analyzed through tables and graphs and mathematical tabulation.

### **1. BOP is a Huge Market**

All the 200 respondents were interviewed and asked whether they had mobile phone or not, 140 respondents said that they had no mobile phones and 60 said that they had mobile phones.(Ref: GRAPH- 3)

## Inferences

1. 70% of people do not have any mobile.
2. Only 30% people have mobile phones.
3. It shows that still a large number of people in this segment do not have any mobile phone. Therefore there is a huge BOP mobile market in India.



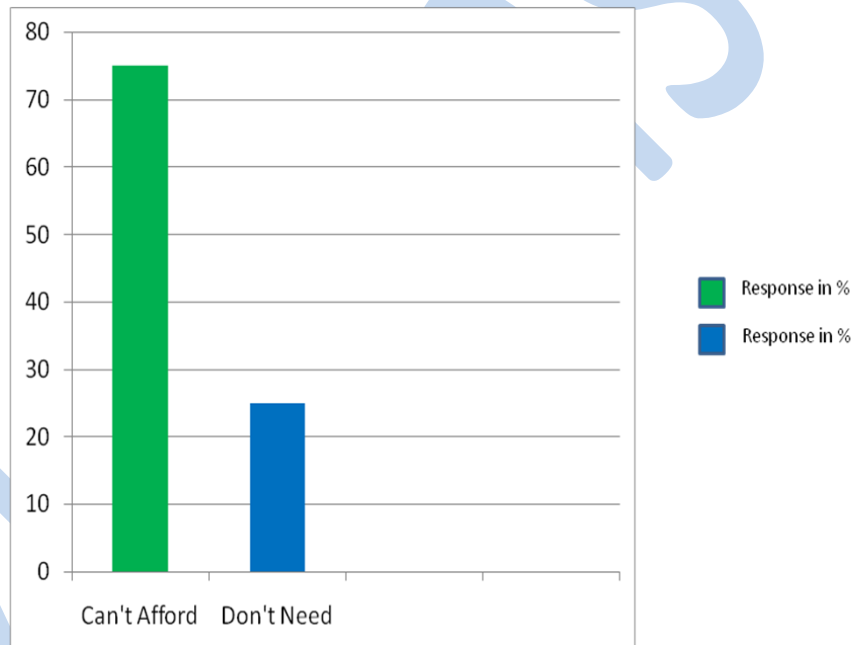
GRAPH- 3

### 2. Price is a Decisive Factor for Buying a Mobile Phone

All the 140 respondents who had no mobile phones were asked the reasons behind not purchasing mobile phones. 36 respondents said that they do not need mobile phone at all, 104 respondents said that they cannot afford to buy mobile phones.(Ref: GRAPH- 4)

**Inferences:-**

1. 75% of people did not purchase mobile phones because they cannot afford it (price).
2. 25% of people did not purchase mobile phones because they do not need it.
3. It shows that there are *large* numbers of people in this segment who want to purchase mobile phone but due to its high price they cannot afford.



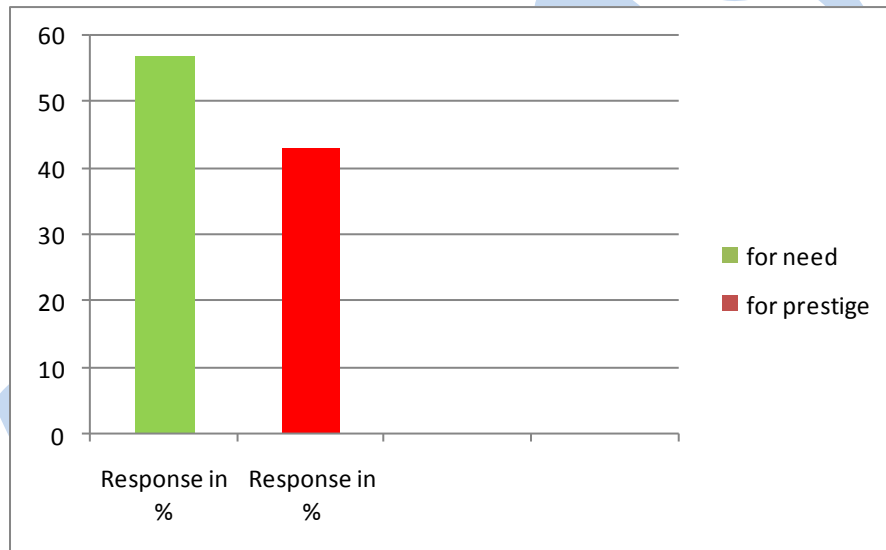
GRAPH- 4

**3. BOP Market is a Need Based Market**

All the 60 respondents who had purchased mobile phones were asked as to why did they purchase it. 34 people said that they needed it while 25 of them said that they bought it because their colleagues had mobile phones. (Ref: GRAPH- 5)

**Inferences:-**

1. 57% of people do purchase mobile phones because they need it.
2. 43% of people do purchase mobile for the sake of Prestige / Status Symbol or because their colleagues have it.
3. It shows that people in this segment who bought mobile phones were equally influenced by the need and prestige factors.



GRAPH- 5

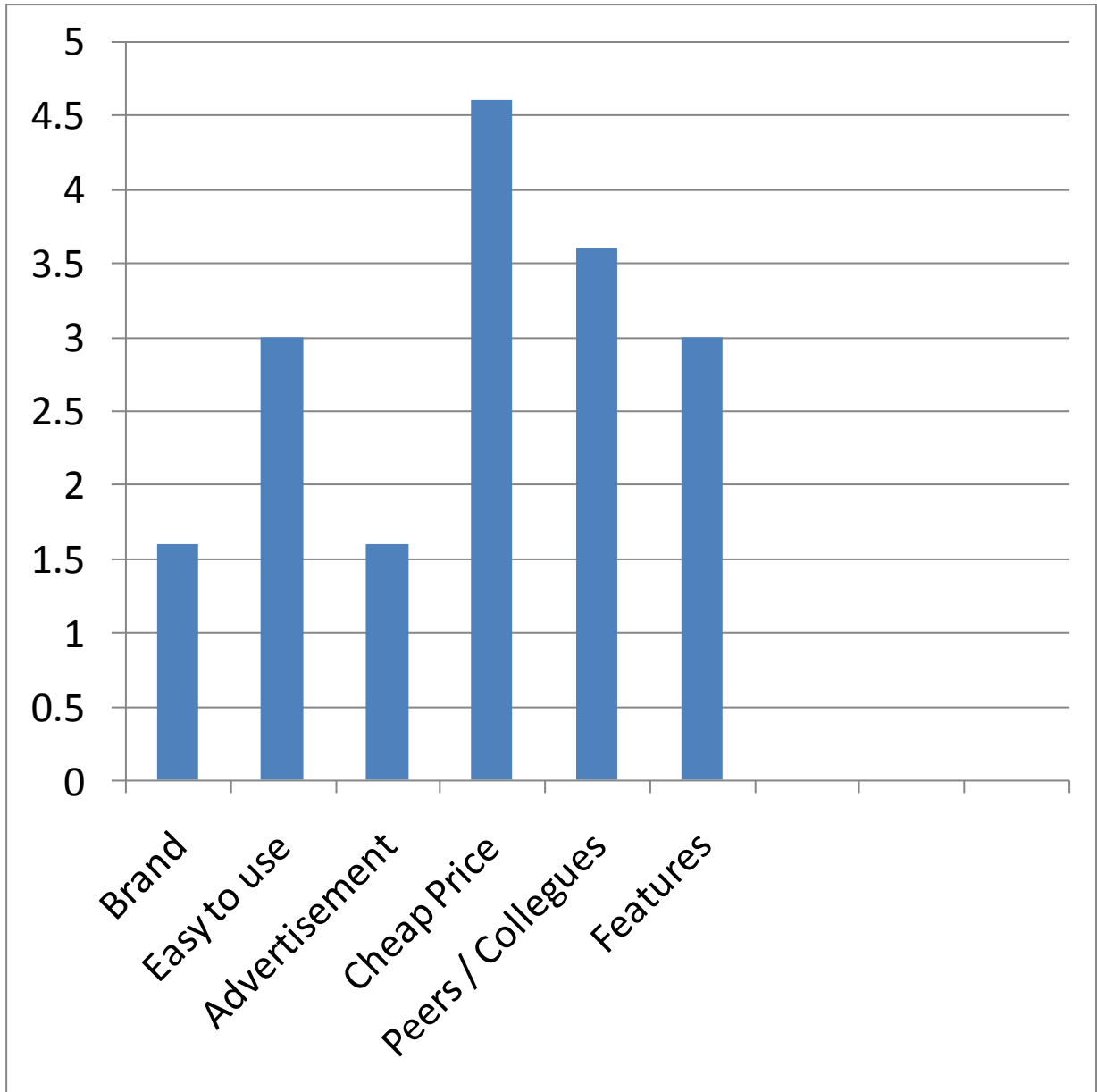
**4. BOP Consumers have Multiple Buying Behavior**

All the respondents who had mobile phones as well as who wanted to have it, were given 6 points to mark [rating from 1 to 6]. The points were (1) Brand, (2) Easy to Use (3) Advertisement (4) Cheap Price (5) Extra Features and (6) Status / Prestige.

(Ref: GRAPH- 6)

### **Inferences:-**

1. A majority of customers purchase a particular mobile phone because of its low price. People in this segment have given the highest rating to Cheap Price(Approx.4.6 ratings)
2. The second highest rating is given to Prestige n status symbol factor (Approx 3.6 ratings Approx.)
3. Third highest rating has been given to the Features of the mobile sets, such as music, look, size, colours, battery backup, Easy to Use etc.(Approx.3 ratings)
4. Brand and advertisings are no more effective buying decision making factors in this segment (Approx:1.6 ratings).
5. 47% customers prefer to buy from showrooms because the showrooms are more convenient. They also think that these shops offer more discounts. People are less interested to buy from the exhibition. They only visit the exhibition/Stalls for quotation of prices the product and the comparative study of the product.



GRAPH- 6

### **Recommendations:**

The Company should follow market **penetration strategy**. In order to capture big market share company should go for low cost and good quality (features) handsets. Company should setup a strong **network** in order to provide better **coverage**. Repair and **maintenance** of handsets are another area of concern for the company. They should try to establish their own **maintenance** and **repair** centers or it can be outsourced but should focus on providing better and efficient **services** to the customers.

Company should understand the fact that Sales and **Marketing** are the two faces of same coin and without marketing it is not possible to sell the products efficiently and without sales revenue cannot be generated. It is also important to have a co-ordination between both marketing and promotions i.e. **promotion** of any product should precede the launch of the product. **Advertising** is not affecting or increasing the sale of mobiles in bottom of pyramid so companies should invest less in **advertising** for this segment. Instead they should emphasize more on organizing some events for this class who are having mobile phones to create positive word of mouth among those who do not have.

### **Conclusive Remark**

India has one of the world's largest telecommunication network. The telecom story continues to be the best evidence of the efficacy of the reforms process. In just six years, the number of mobile subscribers has gone from just about one million to 100 million, a subscriber base that only four other countries China, the US, Japan and Russia can boast of. None can doubt the correlation between this explosive growth in numbers and the steep decline in the cost of the mobile phone and of its usage. Effective tariffs have dropped from over Rs.14 a minute to Re 1, bringing the phone within reach of people

even below the middle-class. The prices of mobile handsets have been drastically reduced to attract BOP consumers. The Government may have, therefore, landed itself a winner in the mobile phone, but the task of taking telecom to the other 90 per cent of the population will call for even greater innovation in policymaking, technology and marketing. Still three-fourths of the land mass is not illuminated by a cellular signal and the price of the instrument is still beyond the reach of a substantial section of the population let alone the charges for its use. The road for India achieving the top most position in telecommunication in BOP markets is no longer a dream as India is nearing China in all aspects in few years. India will over power all countries and achieve its target of top most position in telecom industry.

Result shows that most of people in the bottom of pyramid segment will purchase mobile phones if offered them at a low and affordable price. Furthermore they are looking for its features such as, look, easy to use, music and songs etc to take a decision to buy it. That Brands and Company profile do not attract at all in buying mobile phones in BOP segments.



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